GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:216
ANSWERED ON:25.02.2000
SPECIAL AUDIT CONDUCTED BY SEBI
ANANTRAO GUDHE

Will the Minister of FINANCE be pleased to state:

(a) whether the Securities and Exchange Board of India (SEBI) conducted a special audit of 22 plantation companies;

(b) if so, the details of gross irregularities in fund mobilisation and deployment and extent of financial fraud irregularities detected, company-wise in general and companies in Maharashtra in particular;

(c) the details of action taken/proposed against defaulting companies to protect the interests of investors; and

(d) the present status of action taken against plantation firms, firm-wise, alongwith steps proposed to introduce mechanism to check and monitor fraudulent dealings of plantation and other Non-Banking Financial Companies in Maharashtra?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI BALASAHEB VIKHE PATIL)

(a), (b), (c) & (d) The Securities and Exchange Board of India (SEBI) conducted a special audit of 53 collective investment schemes (CIS), which include plantation companies. The major findings of the audit reports include: large scale diversion of funds to activities unrelated to the schemes` objectives; the lands/properties of the schemes are often not registered in the names of the entities/investors; a large portion of the funds raised has been spent towards the cost of mobilisation of funds; existing investors are paid out of the money received from the subsequent investors and not from the profits/income from legitimate business activities; funds have been mobilised without obtaining credit rating. SEBI has issued show cause notices to various entities operating such schemes. Court proceedings have been initiated against 5 companies namely Libra Plantations Ltd., Arrow Global Agrotech Ltd., SPG Green Gold Plantations Ltd., Okara Agro Industries Ltd., and Golden Forests (India) Ltd. Further, the SEBI (Collective Investme Schemes) Regulations, 1999 were notified on October 15, 1999. Henceforth, no entity other than a Collective Investment Management Company which has obtained a certificate of registration under the SEBI regulations can carry on or sponsor or launch a Collective Investment Scheme. Also no existing Collective Investment Scheme is allowed to launch any new scheme or raise money from investors unless a certificate of registration is granted to it.Information regarding plantation and other companies in Maharashtra is being collected and will be laid on the Table of the House.